

MSHDA POLICIES & PROCEDURES

Homeownership's Help for Hardest Hit (H4HH) Principal Curtailment

Effective Date: June 23, 2010

Replaces Issue of:

Product Name: Principal

SUMMARY:

This is one of MSHDA's federally-funded programs developed to provide assistance to Michigan residents hit hardest by the housing crisis. As one of the five states, Michigan was allocated \$154.5 million to implement and oversee this innovative program to help prevent foreclosures, retain homeownership and stabilize property values.

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA, is partnering with Lenders/Servicers to directly provide funds to be applied towards an eligible borrower's principal mortgage balance in order to modify the terms of the existing lien making the monthly payment sustainable. Second liens are eligible with documentation that the first lien is current and total borrower's housing obligation (total PITI) is sustainable.

PRODUCTS:

Principal Curtailment

LOAN PURPOSE:

One-time matching funds for homeowners with severe negative equity $\geq 115\%$ Combined Loan to Value (CLTV) using current market value, to assist Borrower and Lender/Servicer in reaching an amicable Loan Modification Agreement. Maximum fund amount will match the Lender/Servicers principal curtailment up to \$10,000. Example: Lender/Servicer curtailment of \$10,000 + H4HH fund of \$10,000 = Total Curtailment of \$20,000. Lender/Servicer must re-amortize the lower outstanding loan balance. CLTV must not be lowered below 115% and 1st mortgage LTV may not be reduced below 100%. For this product only, MHA's lien is not to be included in the CLTV calculations.

LOAN TERMS:

Prior to Lender/Servicer applying the assistance homeowners will execute a secured subordinate lien mortgage and note. Loan will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year. Loan will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the homeowner, or if the mortgagor repays in full any mortgage loan encumbering the property.

FUND AMOUNT

LIMITS:

Up to \$10,000 per household; with a minimum additional 1:1 match from the Lender/Servicer. One-time assistance per household. Multiple Servicers are not eligible.

REQUIREMENTS:

The borrower must occupy the property as his/her primary residence, located within the state of Michigan, and be obligated on the original mortgage note. Borrower must submit loan intake application to their Lender/Servicer to determine eligibility for the program. Eligible Lender/Servicer's must have a valid Help for Hardest Hit Lender Agreement on file with MSHDA to participate in this program.

INCOME LIMITS:

None

**MORTGAGE
LIMITS:**

Mortgage loans with unpaid principal balances equal to or less than \$729,250.

**ELIGIBLE
PROPERTIES:**

Located in state of Michigan.

Existing single-family homes or condominiums (attached or detached).

Existing manufactured homes on foundations permanently affixed to real estate.

Owner-occupied, primary residence.

No second homes or investment properties.

**QUALIFYING
RATIOS:**

Lender/Service to determine borrower's qualifying ratios for eligibility. Sustainable total PITI ratio generally should be 31 to 43%. If loan modification is required, ratios should not exceed 31%. Total PITI to include all subordinate lien P&I payments. Current household income for all adults occupying this property as their primary residence may be used to determine qualifying ratios.

**BORROWER
ELIGIBILITY:**

For Lender/Service to participate in HAMP, HAMP must be the first loss mitigation option for borrowers who seek assistance (as required by their HAMP participation agreement). Lender/Service to approve and provide evidence of loan modification agreement.

Borrowers must complete Hardship Affidavit.

Lender/Service determines the amount necessary and approves a principal curtailment in order to make the Borrower's payment sustainable.

Lender/Service to approve the Borrower's Loan Modification request following Lender/Service's modification guidelines and provide evidence of accepted terms

If Borrower is currently delinquent, Lender/Service must approve an acceptable repayment plan to bring loan current. Service to submit copy of plan to MSHDA at time of application.

Homeowners may not have cash reserves exceeding 3 months total PITI. Cash reserves are any non-retirement liquid assets the homeowner has available for withdrawal from any financial institution or brokerage, including checking and savings accounts, CDs (even if held for an extended time), mutual funds, money market funds, stocks or bonds.

Borrower must sign MHA's Borrower's Authorization & Disclosure Agreement acknowledging terms of one- time assistance.

**ALLOWABLE
FEES:**

None

**DOCUMENTATION
REQUIREMENTS:**

APPLICATION

- Request for H4HH 003Commitment
- H4HH 004 Servicer Work Out Plan
- H4HH 002 Borrower's Authorization
- Mortgage Loan Profile
- Borrower's Intake Application
- Evidence obligated on Note
- Mortgage history
- Document 1st mortgage is current if using assistance on 2nd lien
- Hardship Affidavit
- Appraisal or BPO documenting current market value
- Preliminary title commitment and outstanding balances on all liens
- Terms of modification agreement

TRAILING/CLOSING DOCUMENTS: Within 30 days of commitment date
Lender/Servicer will send MSHDA:

- Copy of Commitment Letter
- Original fully executed and notarized Mortgage
- Original fully executed Note
- Evidence funds have been applied as approved including Lender/Servicer match
- Executed modification agreement

POST CLOSING/CONTINUAL REPORTING: The Lender/Servicer agrees to provide continued loan status reporting on each individual loan receiving Help for the Hardest Hit funds as long as the Authority deems necessary, most likely 24 months from the date of last funds received, knowing that the Authority will share all reported information with the U.S. Department of Treasury.

AUDIT: MSHDA staff will randomly select 10% of the Lender/Servicers closed files for internal post closing audit on a monthly basis. Lender/Servicer will be notified by e-mail which loans to submit complete copy packages of their complete work out plan. Files will be required to be sent via overnight courier within five business days of request. This post audit function may later be transferred to an outside contractor.